

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 AGRE-00 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00

CIEP-01 FRB-03 OMB-01 ITC-01 L-03 SS-15 NSC-05 SSO-00

NSCE-00 INRE-00 USIE-00 /079 W  
----- 120932

O R 032201Z DEC 76

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC NIACT IMMEDIATE 5179

INFO AMEMBASSY GUATEMALA BZIPW

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMEMBASSY PORT AU PRINCE

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY SANTO DOMINGO

AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

AMEMBASSY LONDON

USMISSION OECD PARIS

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PASS COPY ANN BERRY ARA/ECP

E.O. 11652: N/A

TAGS: EAGR, ETRD, HO

SUBJECT: 1977 MEAT IMPORT PROGRAM

REF: (A) STATE 24;145 (B) STATE 293203

1. EMBASSY INITIALLY CONVEYED SUBSTANCE REF A UPON RECEIPT  
NOVEMBER 29 TO ECONMIN UNDERSECRETARY ROBERTO VALLADARES  
AND FOLLOWED UP WITH LETTERS TO MINISTER. CENTRAL BANK WHICH  
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MONITORS HONDURAS IMPLEMENTATION OF PROGRAM ALSO INFORMED.

VALLADARES EXPRESSED DISAPPOINTMENT AT SHORT NOTICE OF NEGOTIATIONS, BUT ACKNOWLEDGED ADVANTAGES TO BE DERIVED FROM EARLY AGREEMENT ON NATURE AND MAGNITUDE OF 1977 PROGRAM. HE ADVISED TODAY THAT HONDURAS DELEGATION WILL BE COMPRISED OF LIC. MARIO RIETTI, IDB (CHAIRMAN); LIC. JOSE RAMON MARTINEZ, DIRECTOR GENERAL OF FOREIGN TRADE; MAAAIO MARTIC OF EMBASSY; AND MARIO NUFIO OF CENTRAL BANK. NON-GOVERNMENT MEMBERS REPRESENTING MEAT-PACKERS ON DELEGATION ARE ARMANDO ERAZO, DAVID MENDOZA AND T. RAMIREZ. DELEGATION PLANS TO ARRIVE DECEMBER 5.

2. MOST RECENT ASSESSMENT OF SUPPLY AVAILABILITY CONTAINED IN TOFAS-124 SUBMITTED BY AGATT IN GUATEMALA NOVEMBER 15, BUT NOT SENT INFO STATE OR TEGUCIGALPA. AGATT AT THAT TIME PROJECTED BEEF EXPORT AVAILABILITY 1977 AT 40 MILLION POUNDS. INDUSTRY SPOKESMAN THIS WEEK TOLD EMBOLFF THAT PROJECTED AVAILABILITY CLOSER TO 45 MILLION POUNDS. BASED ON ACTUAL HONDURAS SHIPMENTS TO DATE OF CLOSE TO 40 MILLION AND SUBSTANTIAL MEAT STORED AT PLANTS HERE SINCE QUOTA FILLED IN OCTOBER, COUNTRY LIKELY HAS EXPORT CAPABILITY OF SOMEWHERE BETWEEN THESE TWO ESTIMATES. THIS BORNE OUT BY FACT THAT IN 1973 HONDURAS EXPORTED 41.3 MILLION POUNDS TO U.S., AND SINCE THEN CONSIDERABLE INVESTMENT HAS BEEN MADE UNDER INTERNATIONAL ASSISTANCE PROGRAMS TO INCREASE AND IMPROVE PRODUCTION.

3. HONDURAN DELEGATION CAN BE EXPECTED TO REQUEST QUOTA OF 45 MILLION POUNDS. AMONG ARGUMENTS DELEGATION MIGHT MAKE ARE FOLLOWING:

A. BASE YEARS OF JUNE 1971-JUNE 1974 USED IN DETERMINING 1975 QUOTA WERE PERIOD OF LOW PRODUCTION DUE TO SEVERE DRAUGHT. THUS, EVEN WITH INCREASE IN 1976 TO 35.8 MILLION POUNDS, LEVEL IS LOW IN RELATION 41.3 MILLION SHIPPED 1973.

B. IN PERIOD 1967-75 HONDURAS INVESTED OVER \$66 MILLION IN CATTLE INDUSTRY IN EFFORT TO DIVERSIFY EXPORT EARNINGS AWAY FROM BANANAS AND COFFEE. MARKED INCREASE IN PRODUCTION CAPACITY HAS RESULTED, WHICH NOT REFLECTED IN SIZE OF PAST QUOTAS.

C. OVERCAPACITY OF 5 TO 10 MILLION POUNDS IN RELATION TO QUOTA LIMITED OFFICIAL USE

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IS FORCING GOH ADOPT MEASURES OF CONTROL AND ALLOCATION WHICH SELDOM ARE DESIRABLE IN SUCH A LESSER-DEVELOPED COUNTRY.

D. FIVE OF SEVEN MEAT PACKERS EXPORTED ONLY NOMINAL AMOUNTS OF MEAT BEFORE QUOTA FILLED IN OCTOBER 1976 LEAVING THEM AND SURROUNDING CATTLEMEN WITH UN-REALIZED PRODUCTION FOR YEAR. PROBLEM OF RESULTING EXCESS HERE COMPOUNDED BY DROUGHT IN SOUTHERN AREAS WHERE SOME OF THESE PLANTS LOCATED AND CONSEQUENT

DEFICIENT FORAGE. FURTHER, COUNTRY NOW ENTERING DRY SEASON,  
WITH NEXT SIGNIFICANT RAINFALL NOT DUE UNTIL APRIL OR MAY.

E. PAST THREE YEARS HAVE DEMONSTRATED HONDURAS' VULNERABILITY  
TO PERIODIC ECONOMIC ARREST FROM RECURRING NATURAL DISASTERS.  
HURRICANE FIFI IN 1974, DROUGHT IN 1975 AND RECENT FLOODING IN  
NORTH AND DROUGHT IN SOUTH HAVE IMPAIRED EFFORTS INCREASE  
EXPORTS TO OFFSET INCREASED PETROLEUM IMPORT COSTS.

4. COMMENT. SUBSTANTIAL INCREASE IN HONDURAN VOLUNTARY  
RESTRAINT LEVEL WOULD HELP CLOSE OVERCAPACITY GAP RESULTING, IN  
PART, FROM LOW BASE YEAR PRODUCTION (PARA 3A) AND WOULD BE  
RESPONSIVE APPARENT NEED IN VIEW DEPENDENCE OF ECONOMY LARGELY  
ON AGRICULTURAL EXPORTS WHICH IN TURN VULNERABLE TO VAGARIES OF  
WEATHER. RECOGNITION OF THIS NEED EXPLICIT IN SUBSTANTIAL  
INCREASES U.S. FOREIGN ASSISTANCE COMMITMENT TO HONDURAS IN PAST  
FEW YEARS. SUCH ASSISTANCE ON LEVEL OF TRADE, BENEFITTING THE  
ESTABLISHED, INCREASINGLY VIABLE CATTLE INDUSTRY WOULD BE A VERY  
PRACTICAL WAY OF PROVIDING MEANINGFUL SUPPORT TO THIS ECONOMY.  
BECKER

NOTE BY OC/T: # AS RECEIVED.

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## Message Attributes

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